



# KENTUCKY DEPARTMENT OF EDUCATION

## NEWS OPPORTUNITY ADVISORY

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## **BOARD SUPPORTS ACTION TO FULLY FUND TEACHER PENSION FUND**

(FRANKFORT, Ky.) – Today, the Kentucky Board of Education (KBE) passed a resolution encouraging the Kentucky Teachers' Retirement System (KTRS) to work with the Governor and General Assembly to develop solutions to fully finance the teacher pension fund. *(Text of the resolution can be found at the end of this news release.)*

According to KTRS Deputy Executive Secretary, Beau Barnes, the fund has only 51.9 percent of the money it needs to pay current and future benefits for its 149,000 members, who are not eligible to participate in Social Security. The unfunded pension liability is currently \$13.9 billion and growing at 7.5 percent each year. The shortfall has resulted from the legislature's inability to fund the annual employer-required contribution and an overall flat market performance in recent years. Barnes says the fund that pays medical benefits also is underfunded.

"The longer we put this problem off, the worse it gets," Barnes said. "It is not going away." He said the pension is statutorily guaranteed and, by law, benefits for those in the system cannot be reduced.

KTRS is proposing issuing a bond to infuse cash into the system. While the KBE did not recommend a particular solution to the pension issue, it did support efforts to fully fund KTRS as part of its Legislative Agenda for the upcoming 2015 General Assembly beginning in January. The other item that the board will champion is the expansion of dual credit opportunities for high school students. A task force report on dual credit opportunities in the state will be presented to the Interim Joint Committee on Education on Monday, Dec. 8 at 1 p.m.

The board also heard a presentation by The Education Trust staff on closing achievement gaps and "Making Sure All Children Matter: Getting School Accountability Signals Right." The presentation focused on how performance gaps among student groups persist and can be masked by current accountability models.

The board is considering adjustments to the Unbridled Learning: College and Career Readiness for All Accountability Model. As part of a review of the model, Kentucky Department of Education staff is proposing [changes](#) that would reduce gaps and provide incentives to schools to move all students to higher performance levels.

(more)

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“The gap issue is something that we are passionate about,” Commissioner Terry Holliday said. “We want results. We need to ask ourselves, ‘what are we going to do differently this time?’ The Kentucky Department of Education is making this a priority and is developing a comprehensive plan and timeline to effectively address this issue once and for all.”

Other proposed changes in the accountability model would:

- reduce the weight of growth at the elementary level to bring it into better alignment with middle and high schools. As a result, the weight of achievement and/or gap would increase.
- apply the Annual Measurable Objective (AMO) only to the Next-Generation Learners component
- identify Focus Schools based on the lowest five percent for each individual student group
- increase the minimum graduation rate from 70 percent to 80 percent to identify new Priority Schools or for a school to exit priority status
- add the requirement for Schools of Distinction that they not be identified as a Focus School
- redefined a Priority School as a school that has an overall score in the bottom five percent of overall scores by level for all schools that have failed to meet the AMO for the last three consecutive years
- waive the 100-day enrollment rule to include scores for students in the Early Graduate program
- assign scores to the district for students in an alternative program who have never attended a regular school in the district

The board is scheduled to take action on the recommendations at its February meeting.

In other action the board approved:

- the final order approving Commissioner Terry Holliday’s recommendation to place the Menifee County school district under state assistance
- the Statement of Consideration, as amended after comments, for 705 KAR 4:250, Energy Technology Engineering Career Pathway
- Commissioner Holliday’s written evaluation document and goals for the upcoming year. The board also approved a 1 percent increase in the commissioner’s annual salary.
- 2014-15 tax rates levied by local districts
- 2014-15 local district working budgets that meet the requirements of Kentucky Revised Statutes and the KBE
- [702 KAR 3:320](#), Finance Officer Certification
- new District Facility Plans for Breckinridge County and Washington County School Districts
- a waiver by the Jefferson County School District to build the Norton Commons Elementary School on a donated property that is smaller than normally required
- the 2014 Consolidated Annual Report and state improvement plan required by the Carl D. Perkins Career & Technical Education Act
- a waiver request by Carter County for specific requirements relative to the district leadership assessment outlined in 703 KAR 5:180

The board also heard an update on its strategic plan.

The agenda and supporting materials for the board meetings are available online at

<http://portal.ksba.org/public/Agency.aspx?PublicAgencyID=4388&AgencyTypeID=1>.

The next regular Kentucky Board of Education meeting is scheduled for February 4 in Frankfort.

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**RESOLUTION  
BY THE  
KENTUCKY BOARD OF EDUCATION  
COMMONWEALTH OF KENTUCKY**

- Whereas, The Kentucky Board of Education supports educators for their service to the students and parents of the Commonwealth; and*
- Whereas, The Kentucky Teachers' Retirement System (KTRS) was established in 1938 and provides retirement security for Kentucky's educators; and*
- Whereas, KTRS has over 141,000 members, over 49,500 beneficiaries receive a benefit and KTRS members are not eligible to participate in Social Security; and*
- Whereas, KTRS distributes monthly over \$144 million in retirement benefits and \$21.5 million in medical benefits with 92% of KTRS retirees living in Kentucky; and*
- Whereas, New accounting rules, set by the Governmental Accounting Standards Board (GASB), will require underfunded pension plans to report unfunded liability using a lower assumed rate of return, thus reducing Kentucky's funding percentage from 51.9% to 42.4%; and*
- Whereas, The Annual Required Contribution (ARC), the amount an employer must contribute annually to a defined benefit pension fund, based on an actuarial formula, to fund current and future retirement benefits and liabilities to pay the benefits of current and future retirees, is underfunded; and*
- Whereas, Due to KTRS's pension liability growing at 7.5% per year, the KTRS Board of Trustees is exploring potential short-term and long-term solutions to address the unfunded liability; and*
- Whereas, The amounts of additional funding needed from the Commonwealth to fund the ARC for FY 2015 and FY 2016 are \$386 million and \$487 million respectively; this additional funding was not available in the recently passed budget; and without a plan to fund the ARC, accounting rules for 2014 will result in an increase in the unfunded liability from \$13.9 billion to \$21.9 billion.*

*NOW THEREFORE, be it resolved that the Kentucky Board of Education fully supports the Kentucky Teachers' Retirement System's efforts to work with the Governor and the General Assembly to develop solutions to fully fund the KTRS Pension Fund.*

*Done in the city of Frankfort, this third day of  
December, in the year Two Thousand and Fourteen*

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*Roger L. Marcum, Kentucky Board of Education Chair*

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*Terry Holliday, Commissioner of Education*

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